

STATE OF WASHINGTON**OFFICE OF
INSURANCE COMMISSIONER****BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF WASHINGTON**

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BEFORE THE INSURANCE COMMISSIONER OF THE STATE OF WASHINGTON

In the Matter of) CONSENT AND ORDER LEVYING A FINE
 CHUBB INDEMNITY COMPANY,
 CHUBB NATIONAL INSURANCE
 COMPANY, FEDERAL
 INSURANCE COMPANY,
 GREAT
 NORTHERN INSURANCE
 COMPANY, NORTHWESTERN
 PACIFIC INDEMNITY
 COMPANY, D 2000-04
 PACIFIC INDEMNITY)
 COMPANY,
 and VIGILANT INSURANCE
 COMPANY,

Authorized
 Insurers.)

FINDINGS OF FACT:

1. The Office of the Insurance Commissioner ("OIC") performed a Market Conduct Examination of Chubb Indemnity Insurance Company, Chubb National Insurance

Company, Federal Insurance Company, Great Northern Insurance Company, Northwestern Pacific Indemnity Company, Pacific Indemnity Company, and Vigilant Insurance Company ("Chubb") with respect to activities relating to underwriting and rating, non-renewal and cancellations, and rate and form filings for the period from January 1, 1998 through September 30, 1998.

2. On July 19, 1999, a Report ("Report") setting forth Findings, Conclusions, and Orders with respect to the above-referenced Market Conduct Examination was adopted by the Insurance Commissioner, which found the following facts to be true during the period covered.
3. Policy number 78273688 shows the incorrect insuring company, billing notices for policy number 78273688 show the incorrect insuring company, the Declarations page for policy number 73261462 shows an incorrect name for the insuring company, correspondence on policy numbers 35317623 and 79440977 did not show the actual insuring company, a cancellation notice/policy release request, an Evidence of Property Insurance, and two Certificates of Insurance on policy number 35324535 showed the incorrect insuring company, a Certificate of Insurance for policy number 78323549 did not show the actual insuring company, six Certificates of Insurance for policy number 35382695 did not show the actual insuring company, one Certificate of Insurance for policy number 35365480 did not show the actual insuring company, and twenty-one (21) Certificates of Insurance for policy number 35312657 did not show the correct name of the insuring company.
4. The Binders for policy numbers 35348540 and 78279608 failed to identify the actual insuring company, the binder for policy number 35368776 identified the insurer as "The Chubb" rather than the actual insuring company.
5. The credits or debits provided for twenty-nine policies failed to provide for an objective analysis by Chubb of the risk based on specific factual information supporting the ratings (see the first twenty-nine policy numbers listed in Appendix 3 of the Report), the debits applied to policy numbers 78279610 and 35324587, did not have an objective analysis by Chubb of the risk based on specific factual information to support the debits, on policy numbers 78323568 and 78278850, there was no objective analysis which would explain why no credits/debits were applied to these eligible risks, on policy number 78323572, credits were improperly applied, on policy number 78323407, Chubb applied more than the 25% debits allowed, and for policy numbers 35324541 and 73197268, Chubb applied more than the 25% total credits/expense modification allowed, and on the latter policy, the combined scheduled credits and expense modification exceeded Chubb's filed rate.
6. Chubb's rating of policy numbers 79322814, 79073466, 79664445, 79642619, 79663930, 79663859, 79663901, 79768773, 79079566, and 79646066 did not include a documented underwriting analysis of specific definable loss potential characteristics, analogy to similar exposures, and available loss frequency and severity data.
7. Chubb used rates on policy numbers 35338874, 78352759, 78323566, 78323578, 78352743, and 73254377 that were different from Chubb's rate filings.
8. Chubb could not locate nineteen files requested by the examiners.
9. Chubb issued binders for policy numbers 81517283 and 7978348609 for more than ninety days from their effective dates.
10. Chubb issued policy numbers 73235619 and 73144971 without the mandatory Washington automobile forms.

11. Chubb canceled policy number 35338906 because the agent's appointment was canceled.
12. Chubb issued policy numbers 73197268 and 73137139 using Form #16-02-33, entitled, "Amendment - Policy Conditions," a form which is not unique in character, but which was not filed with OIC for approval.

CONCLUSIONS OF LAW

1. Chubb's failure to identify the actual insuring company in its policies, notices, forms, and correspondence, constitutes a minimum of forty violations of RCW 48.05.190(1).
2. Chubb's failure to identify the insurer in which the coverage was bound, in the binders for policy numbers 35348540, 78278608, and 35368776, constitutes a minimum of three violations of WAC 284-30-560(2).
3. Chubb's failure to provide for an objective analysis of the risk based on specific factual information supporting the ratings for the first twenty-nine policies identified in Appendix 3 of the Report constitutes a minimum of twenty-nine violations of WAC 284-24-100(5); Chubb's failure to provide an objective analysis of the risk based on specific factual information to support the debits applied to policy numbers 78279610 and 35324587 constitutes a minimum of two violations of WAC 284-24-100(5); Chubb's failure to provide an objective analysis to explain why no credits/debits were applied to the eligible risks of policy numbers 78343568 and 78278850, constitutes a minimum of two violations of WAC 284-24-100(5)(7); Chubb's improper application of credits to policy number 78323572, and its application of more than the maximum debits or credits allowed under WAC 284-24-100(2) to policy numbers 78323407, 35324541 and 73197268, constitutes a minimum of four violations of WAC 284-24-100(2), and four violations of RCW 48.19.040(6), as Chubb's filed rate caps credits at 25%.
4. Chubb's failure to include a documented underwriting analysis of specific definable loss potential characteristics, analogy to similar exposures, and available loss frequency and severity data for its rating of policy numbers 79322814, 79073466, 79664445, 79642619, 79663930, 79663859, 79663901, 79768773, 79079566, and 79646066 constitutes a minimum of ten violations of WAC 284-24-070(3).
5. Chubb's issuance of policy numbers 35338874, 78352759, 78323566, 78323578, 78352743, and 73254377 at rates that were not in accordance with Chubb's rate filings with OIC constitutes a minimum of six violations of RCW 48.19.040(6).
6. Chubb's failure to produce nineteen files requested by the examiners constitutes a minimum of nineteen violations of RCW 48.03.030(1).
7. Chubb's issuance of binders for policy numbers 81517283 and 7978348609 for more than ninety days from their effective dates constitutes a minimum of two violations of RCW 48.18.230(1).
8. Chubb's issuance of policy numbers 73235619 and 73144971 without the mandatory Washington automobile forms constitutes a minimum of two violations of RCW 48.18.140(2)(f).
9. Chubb's cancellation of policy number 35338906 because the agent's appointment was canceled violated RCW 48.17.591(1).

10. Chubb's failure to file Form # 16-02-33, entitled "Amendment - Policy Conditions," for approval before it issued policy numbers 73197268 and 73137139 constitutes a minimum of two violations of RCW 48.18.100(1).

CONSENT TO ORDER

Chubb hereby admits to the foregoing Findings of Fact and Conclusions of Law.

The Commissioner has offered a settlement in lieu of suspending or revoking Chubb's certificate of authority.

By agreement of the parties, the OIC will impose a fine of One Hundred Thirty Five Thousand, Two Hundred Fifty Dollars on Chubb, and suspend Sixty Seven Thousand, Six Hundred Twenty Five Dollars of that amount, on condition that:

1. Chubb pay Sixty Seven Thousand, Six Hundred Twenty Five Dollars of the fine for its violations of Washington insurance law within thirty days of the entry of this Order.
2. Chubb execute and carry out all details of the "Compliance Plan" as set forth in Exhibit 1.
3. Chubb commit no further violations of the statutes and regulations that are the subject of this Consent Order for a period of eighteen months from the date on which this Order is entered. The OIC will not impose the balance of the fine nor proceed against Chubb's certificate should it commit isolated, de minimis, violations of the statutes and regulations that are the subject of this Consent Order during the suspense period, as determined by the OIC. Chubb commits to rectifying such violations promptly once they are discovered. .

EXECUTED and AGREED this _____ day of _____, 2000.

CHUBB INDEMNITY INSURANCE COMPANY

TITLE

SIGNED

CHUBB NATIONAL INSURANCE COMPANY

TITLE

SIGNED

FEDERAL INSURANCE COMPANY

TITLE

SIGNED

GREAT NORTHERN INSURANCE COMPANY

TITLE

SIGNED

NORTHWESTERN PACIFIC INDEMNITY COMPANY

TITLE

SIGNED

PACIFIC INDEMNITY COMPANY

TITLE

SIGNED

VIGILANT INSURANCE COMPANY

TITLE

SIGNED

ORDER

Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine of One Hundred Thirty Five Thousand, Two Hundred Fifty Dollars upon Chubb Indemnity Insurance Company, Chubb National Insurance Company, Federal Insurance Company, Great Northern Insurance Company, Northwestern Pacific Indemnity Company, Pacific Indemnity Company, and Vigilant Insurance Company, and suspends Sixty Seven Thousand, Six Hundred Twenty Five Dollars under the Conditions set forth in the Consent to Order section of this Consent Order. Sixty Seven Thousand, Six Hundred Twenty Five Dollars of the fine must be paid in full within thirty days of the date of entry of this order. Failure to pay this portion of the fine and to comply with the stated Conditions shall constitute grounds for recovery of the full fine, including the suspended portion, and for revocation of Chubb Indemnity Insurance Company, Chubb National Insurance Company, Federal Insurance Company, Great Northern Insurance Company, Northwestern Pacific Indemnity Company, Pacific Indemnity Company, and Vigilant Insurance Company's certificates of authority in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT OLYMPIA, WASHINGTON, this _____ day of _____, 2000.

DEBORAH SENN

Insurance Commissioner

By: _____

Carol Sureau

Enforcement Attorney

Office of the Insurance Commissioner

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